

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF CATARACT LAKE WATER)
CORPORATION FOR A NEW SCHEDULE OF) CAUSE NO. 45663-U
RATES AND CHARGES FOR WATER)
SERVICE)**

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF MARGARET A. STULL

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

March 30, 2022

Respectfully submitted

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Daniel M. Le Vay, Attorney No. 22184-49
Deputy Consumer Counselor
OFFICE OF UTILITY CONSUMER COUNSELOR
115 W. Washington St. Suite 1500 South
Indianapolis, IN 46204
Email: dlevay@oucc.in.gov
infomgt@oucc.in.gov

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1 – Testimony of Margaret A. Stull on behalf of the OUCC* has been served upon the following in the captioned proceeding by electronic service on March 30, 2022

CATARACT LAKE WATER CORPORATION

Teresa Gilbrech

P. O. Box 624

Cloverdale, IN 46120

Email: catractlakewater@yahoo.com



Daniel M. Le Vay
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

115 West Washington Street

Suite 1500 South

Indianapolis, IN 46204

infomgt@oucc.in.gov

317/232-2494 – Phone

317/232-5923 – Facsimile

TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 45663-U
CATARACT LAKE WATER CORPORATION

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana, 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as
6 a Chief Technical Advisor in the Water/Wastewater Division. My qualifications are
7 set forth in Appendix “A” attached to this testimony.

8 **Q: What is the purpose of your testimony?**

9 A: The May 31, 2017 final order in Cause No. 44897-U established the rates and
10 charges currently implemented by Cataract Lake Water Corporation (hereinafter
11 “Applicant” or “Cataract Lake”). Included in Cataract Lake’s revenue requirement
12 was debt service expense on a Rural Development Note that would be fully paid in
13 2021. Ordering paragraph 3 of that final order required Cataract Lake to file its
14 next rate case before December 31, 2021 or revise its rate schedules to exclude the
15 debt service payments on the Rural Development Note. Cataract Lake filed its
16 small utility application on December 30, 2021, but it asked that it be permitted to
17 maintain its current rates without any increase or decrease. I explain why the
18 OUCC supports Cataract Lake’s proposal to maintain its current rates.

1 **Q: What review and analysis did you perform to prepare your testimony?**

2 A: I reviewed Cataract Lake's small utility rate application filed on December 30,
3 2021. I reviewed the final order issued in Cause No. 44897-U and Applicant's
4 IURC annual reports for the years 2015 – 2020. I prepared discovery questions and
5 reviewed Cataract Lake's responses.

III. CATARACT LAKE'S PROPOSAL

6 **Q: Why did Cataract Lake file this small utility rate application?**

7 A: To avoid revising its rates, and in compliance with the Commission's order,
8 Cataract Lake filed this small utility rate application to demonstrate that,
9 notwithstanding the elimination of its debt service expense, the costs it incurs to
10 provide service to its customers have increased since its last rate case and, therefore,
11 no rate reduction should be implemented:

12 As mentioned by our September 30, 2021 letter, with our
13 current needs for infrastructure investment, Cataract Lake's
14 board of directors do not see the need to lower our current
15 rates even though a substantial debt has recently been paid
16 off. However, we really do not want to increase rates at this
17 time either. Thus, while this rate application reflects that a
18 4.77% rate increase is needed to cover our costs to provide
19 service, we are only filing this rate application to satisfy the
20 requirements of the Commission's Final Order. With this
21 filing, we request the Commission allow us to maintain our
22 current rates.

23 (Application, page 5.)

24 **Q: Did Cataract Lake's application indicate a rate increase was warranted?**

25 A: Although it does not seek an increase, Cataract Lake's small utility rate application
26 indicated a 4.77% increase to its current authorized rates could be justified.

1 **Q: Did Cataract Lake make any adjustments to its test year operating revenues**
2 **or expenses?**

3 A: No. Cataract Lake offered no adjustments to its test year operating revenues or
4 expenses.

5 **Q: How does Cataract Lake's presented revenue requirement compare to that**
6 **approved in Cause No. 44897-U?**

7 A: The net revenue requirement presented by Cataract Lake in this case is
8 \$557,029. The authorized net revenue requirement in Cause No. 44897-U was
9 \$526,793. Table MAS-1 compares these two revenue requirements.

Table MAS-1: Revenue Requirement Comparison

	Cause	Cause	45663-U
	44897-U	45663-U	More (Less)
Operating Expenses	\$ 347,074	\$ 447,231	\$ 100,157
Extensions and Replacements	54,320	47,559	(6,761)
Working Capital	-	-	-
Debt Service	125,419	62,361	(63,058)
Debt Service Reserve	-	-	-
Total Revenue Requirements	526,813	557,151	30,338
Interest Income	(20)	(122)	(102)
Net Revenue Requirement	\$ 526,793	\$ 557,029	\$ 30,236

IV. OUCG RECOMMENDATION

10 **Q: Does the OUCG agree with the revenue requirement Cataract Lake presented**
11 **in its application?**

12 A: No. However, based on our review and analysis, the OUCG agrees Cataract Lake's
13 costs to provide services to its customers have increased since its last rate case,
14 though we do not wholly accept Cataract Lake's justification for a 4.77% increase
15 as presented in its application.

1 **Q: With which aspects of Cataract Lake's presentation does the OUCC disagree?**

2 A: The OUCC does not agree with Cataract Lake's operating expenses or its
3 extensions and replacements ("E&R") revenue requirement as presented in its
4 application

5 **Q: Did you review Cataract Lake's operating revenues?**

6 A: Yes. Test year operating revenues were \$533,412 compared to the \$526,908
7 (\$526,793 + \$115 (additional IURC Fee)) authorized in Cause No. 44897-U, an
8 increase of \$6,504. I then reviewed Applicant's IURC annual reports for the period
9 2017 through 2020 to confirm whether the utility has experienced customer growth
10 since Cause No. 44897-U. Based on this analysis, the growth reflected in operating
11 revenues was consistent with the customer growth as reflected in Applicant's IURC
12 annual reports. The result of this analysis provided comfort that the test year
13 revenues were representative of Cataract Lake's recurring annual operating
14 revenues.

15 **Q: Why doesn't the OUCC accept Cataract Lake's operating expenses?**

16 A: As reflected in Table MAS-1, Cataract Lake presented a \$100,157 increase to its
17 annual operating expenses. However, a review of the expenses recorded during the
18 test year revealed certain test year operating expenses were either capital in nature
19 or were not expenses of the utility that should be expected to recur each year.
20 During the test year, Cataract Lake expensed periodic maintenance costs that are
21 not recurring, annual expenses and, therefore, should be amortized based on the
22 frequency of the maintenance being performed. There were also meters and pumps
23 and other utility plant purchased during the test year that applicant expensed but

1 should have capitalized. The OUCC recommends a lower operating expense
2 revenue requirement, which should be more representative of Cataract Lake's
3 ongoing annual operating expenses.

4 **Q: Why doesn't the OUCC accept Cataract Lake's E&R revenue requirement?**

5 A: As discussed in more detail by OUCC witness Kristen Willoughby, Cataract Lake
6 could justify a higher E&R revenue requirement than what it has presented. The
7 OUCC recommends a higher E&R revenue requirement, which should allow
8 Applicant to make reasonably necessary extensions and replacements while
9 maintaining its current rates. This higher E&R revenue requirement would offset
10 the OUCC's reduction to operating expenses, allowing current rates to be
11 maintained.

12 **Q: What does the OUCC recommend in this Cause?**

13 A: Based on our review, we believe Cataract Lake's presented operating expenses are
14 overstated but its extensions and replacements revenue requirement as presented in
15 its application may be considered somewhat understated. However, overall we
16 believe Cataract Lake's current rates and charges are sufficient and appropriate to
17 provide Cataract Lake with the funds necessary to maintain and operate its water
18 utility. The OUCC accepts Cataract Lake's proposal that no change to its rates be
19 implemented at this time. Table MAS-2 presents the OUCC's recommended
20 revenue requirements and Table MAS-3 compares the OUCC's recommended
21 revenue requirements with those approved in Cause No. 44897-U and those
22 presented by Cataract Lake in this case.

Table MAS-2: OUCR Recommended Revenue Requirement

Operating Expenses	\$ 383,464
Extensions and Replacements	87,470
Debt Service	<u>62,361</u>
Total Revenue Requirements	533,295
Less: Interest Income	<u>(122)</u>
Net Revenue Requirements	533,173
Less: Test Year Operating Revenues	<u>(533,173)</u>
Revenue Increase Required	<u><u>\$ -</u></u>

Table MAS-3: OUCR Revenue Requirement Comparison

	Cause No. 45663-U			OUCR More (Less)	
	Cause 44897-U	Applicant	OUCR	Cause 44897-U	Applicant
Operating Expenses	\$ 347,189 ^(a)	\$ 447,231	\$ 383,464	\$ 36,275	\$ (63,767)
Extensions and Replacements	54,320	47,559	87,470	33,150	39,911
Debt Service	<u>125,419</u>	<u>62,361</u>	<u>62,361</u>	<u>(63,058)</u>	<u>-</u>
Total Revenue Requirements	526,928	557,151	533,295	6,367	(23,856)
Less: Interest Income	<u>(20)</u>	<u>(122)</u>	<u>(122)</u>	<u>(102)</u>	<u>-</u>
Net Revenue Requirements	526,908	557,029	533,173	6,265	(23,856)
Less: Test Year Operating Revenues	<u>(526,908)</u>	<u>(533,173)</u>	<u>(533,173)</u>	<u>(6,265)</u>	<u>-</u>
Revenue Increase Required	-	23,856	-	-	(23,856)
Additional IURC Fees	-	71	-	-	(71)
Recommended Increase	<u><u>\$ -</u></u>	<u><u>\$ 23,927</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (23,927)</u></u>

(a) Includes \$115 of additional IURC fees.

1 Q: Does this conclude your testimony?

2 A: Yes.

APPENDIX A - QUALIFICATIONS

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
3 a Bachelor of Science degree in Accounting. From 1982 to 1985, I held the position
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to
5 2001, I worked for Enron in various positions of increasing responsibility and
6 authority. I began in gas pipeline accounting, was promoted to a position in
7 financial reporting and planning, for both the gas pipeline group and the
8 international group, and finally was promoted to a position providing accounting
9 support for infrastructure projects in Central and South America. In 2002, I moved
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August
11 2003, I accepted my current position with the OUCC. In 2011, I was promoted to
12 Senior Utility Analyst. In 2018, I was promoted to Chief Technical Advisor.

13 Since joining the OUCC I have attended the National Association of
14 Regulatory Utility Commissioners ("NARUC") Eastern Utility Rate School in
15 Clearwater Beach, Florida, and the Institute of Public Utilities' Advanced
16 Regulatory Studies Program in East Lansing, Michigan. I have also attended several
17 American Water Works Association and Indiana Rural Water Association
18 conferences as well as the National Association of Utility Consumer Advocates
19 ("NASUCA") Water Committee Forums. I have participated in the NASUCA
20 Water Committee and the NASUCA Tax and Accounting Committee, including
21 serving as chair for the Tax and Accounting Committee from 2016 – 2021.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**
2 **Commission?**

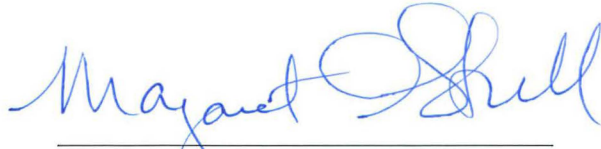
3 A: Yes. I have testified before the Commission as an accounting witness in various
4 cases involving water, wastewater, electric, and gas utilities.

5 **Q: Have you held any professional licenses?**

6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
7 Texas until I moved to Indiana in 2002.

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.



By: Margaret A. Stull
Cause No. 45663-U
Office of Utility Consumer Counselor (OUCC)

Date: MARCH 30, 2022